



## USDA Section 515 Underwriting Guidance

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The 2012 Qualified Allocation Plan authorizes DCA to issue underwriting guidance that will apply to certain USDA properties applying for housing tax credits in the 2012 funding round:

“In addition, for the projects with existing USDA Sec. 515 funding, DCA reserves the right to issue underwriting guidance in the future.” [Appendix I.I.D, pg. 3 of 38]

The following standards will apply to each application proposing to rehabilitate an existing USDA Section 515 property in the 2012 round:

- **If 100% of residential units are receiving rental assistance AND if USDA has issued an assistance guarantee letter for the project**, DCA will continue to allow the project to apply a rent factor in order to meet DCA’s underwriting requirements. The Year 1 (of compliance period) debt coverage ratio must be no lower than 1.25.
- **If the applicant is seeking DCA HOME funding**, the project must demonstrate the ability to achieve a 1.25 debt coverage ratio Year 1 through Year 15 without the use of a rent factor.
- **If less than 100% but at least 50% of residential units are receiving rental assistance AND if USDA has issued an assistance guarantee letter for the project**, DCA will lower the debt coverage ratio minimum to 1.15 through Year 15. No rent factor will be allowed.
- **For projects where less than 50% of residential units are receiving rental assistance**, the minimum required debt coverage ratio (1.25) must be applied Year 1 through Year 15 without the use of a rent factor.